

CITY OF NORTONVILLE, KANSAS
and NORTONVILLE PUBLIC LIBRARY

FINANCIAL STATEMENT
WITH INDEPENDENT AUDITOR'S REPORT

YEAR ENDED DECEMBER 31, 2015

CITY OF NORTONVILLE, KANSAS

For the Year Ended December 31, 2015

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INDEPENDENT AUDITOR'S REPORT

To the Mayor and City Council of
City of Nortonville, Kansas

I have audited the accompanying fund summary statement of regulatory basis receipts, expenditures, and unencumbered cash balances of City of Nortonville, Kansas and its related municipal entity (the municipal financial reporting entity), as of and for the year ended December 31, 2015, and the related notes to the financial statement.

Management's Responsibility for the Financial Statement

Management is responsible for the preparation and fair presentation of this financial statement in accordance with the *Kansas Municipal Audit and Accounting Guide* as described in Note 1 to meet the financial reporting requirements of the State of Kansas; this includes determining that the regulatory basis of accounting is an acceptable basis for the preparation of the financial statement in the circumstances. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of the financial statement that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

My responsibility is to express an opinion on the financial statement based on my audit. I conducted my audit in accordance with auditing standards generally accepted in the United States of America, and the *Kansas Municipal Audit and Accounting Guide*. Those standards require I plan and perform the audit to obtain reasonable assurance about whether the financial statement is free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statement. The procedures selected depend on auditor's judgment, including the assessment of the risks of material misstatement of the financial statement, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statement in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, I express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statement.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles

As described in Note 1 of the financial statement, the financial statement is prepared by City of Nortonville, Kansas and its related municipal entity to meet the requirements of the State of Kansas on the basis of the financial reporting provisions of the *Kansas Municipal Audit and Accounting Guide*, which is a basis of accounting other than accounting principles generally accepted in the United States of America.

The effects on the financial statement of the variances between the regulatory basis of accounting described in Note 1 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In my opinion, because of the significance of the matter discussed in the "Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles" paragraph, the financial statement referred to above does not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of City of Nortonville, Kansas and its related municipal entity as of December 31, 2015, or changes in its financial position and cash flows thereof for the year then ended.

Opinion on Regulatory Basis of Accounting

In my opinion, the financial statement referred to above presents fairly, in all material respects, the aggregate cash and unencumbered cash balance of City of Nortonville, Kansas and its related municipal entity as of December 31, 2015, and the aggregate receipts and expenditures for the year then ended in accordance with the financial reporting provisions of the *Kansas Municipal Audit and Accounting Guide* described in Note 1.

Report on Supplementary Information

My audit was conducted for the purpose of forming an opinion on the fund summary statement of regulatory basis receipts, expenditures, and unencumbered cash balance (basic financial statement) as a whole. The summary of regulatory basis expenditures – actual and budget, individual fund schedules of regulatory basis receipts and expenditures – actual and budget, and schedules of regulatory basis receipts and expenditures, are presented for analysis and are not a required part of the basic financial statement, however are required to be presented under the provisions of the *Kansas Municipal Audit and Accounting Guide*. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statement. The information has been subjected to the auditing procedures applied in the audit of the basic financial statement and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statement or to the basic financial statement itself, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In my opinion, the information is fairly stated in all material respects in relation to the basic financial statement as a whole, on the basis of accounting described in Note 1.

Prior Year Comparative Numbers

The prior year actual column presented in the fund summary statement of regulatory basis receipts, expenditures, and unencumbered cash balances and the individual fund schedules of regulatory basis receipts and expenditures – actual and budget, are also presented for comparative analysis and are not a required part of the 2015 financial statement upon which we rendered an unqualified opinion dated May 12, 2015. The 2014 financial statement and my accompanying report are not presented herein, but are available in electronic form from the website of the Kansas Department of Administration at the following link <http://da.ks.gov/ar/muniserv/>. Such prior year comparative information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the 2014 basic financial statement. The prior year comparative information was subject to the auditing procedures applied in the audit of the 2014 basic financial statement and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the 2014 basic financial statement or to the 2014 basic financial statement itself, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In my opinion the prior year comparative information is fairly stated in all material respects in relation to the 2014 basic financial statement as a whole, on the basis of accounting described in Note 1.

Patsy A. Porter, CPA, PA
Patsy A. Porter, CPA, PA
Atchison, KS

February 8, 2016

CITY OF NORTONVILLE, KANSAS

SUMMARY STATEMENT OF RECEIPTS, EXPENDITURES AND UNENCUMBERED CASH REGULATORY BASIS

For the Year Ended December 31, 2015

FUNDS

Governmental type funds:

General fund

Special purpose funds:

Special highway

Special parks & recreation

Library

Special street

Special police equipment

Special equipment

Insurance proceeds

Special park building

Business funds:

Water

Sewer

Total primary government

Related municipal entity:

Nortonville Public Library

Total municipal financial reporting entity

	Beginning Unencumbered Cash Balance	Prior Year Canceled Encumbrances	Receipts	Expenditures	Ending Unencumbered Cash Balance	Add Encumbrances and Accounts Payable	Ending Cash Balance
	\$ 85,988	\$ -	\$ 182,537	\$ 217,542	\$ 50,983	\$ 2,993	\$ 53,976
Special highway	45,711	-	16,207	61,623	295	-	295
Special parks & recreation	-	-	-	-	-	-	-
Library	-	-	31,237	31,001	236	-	236
Special street	10,000	-	-	10,000	-	-	-
Special police equipment	8,049	-	2,000	607	9,442	-	9,442
Special equipment	4,100	-	2,000	-	6,100	-	6,100
Insurance proceeds	-	-	10,500	10,500	-	10,500	10,500
Special park building	-	-	720	-	720	-	720
Water	94,423	-	118,989	115,607	97,805	-	97,805
Sewer	61,391	-	91,022	101,878	50,535	-	50,535
Total primary government	309,662	-	455,212	548,758	216,116	13,493	229,609
Nortonville Public Library	17,012	-	66,945	61,972	21,985	-	21,985
Total municipal financial reporting entity	\$ 326,674	\$ -	\$ 522,157	\$ 610,730	\$ 238,101	\$ 13,493	\$ 251,594

Composition of cash:

Checking accounts	\$ 77,609
Certificates of deposit	152,000
Total related municipal entity	21,985
Total cash	251,594
Total municipal financial reporting entity	\$ 251,594

See accompanying notes to the financial statement.

CITY OF NORTONVILLE, KANSAS
NOTES TO THE FINANCIAL STATEMENT
December 31, 2015

1 - Summary of significant accounting policies

(a) Municipal financial reporting entity

The City of Nortonville, Kansas is a municipal corporation governed by an elected five-member council plus a mayor. This financial statement presents The City of Nortonville, Kansas (the municipality) and its related municipal entity. The related municipal entity is included in the city's reporting entity because it was established to benefit the city and/or its constituents.

Nortonville Public Library. The City of Nortonville Library Board operates the city's public library. Acquisition or disposition of real property by the board must be approved by the city. Bond issuances must also be approved by the city.

(b) Regulatory basis fund types

General fund – the chief operating fund. Used to account for all resources except those required to be accounted for in another fund.

Special purpose fund – used to account for the proceeds of specific tax levies and other specific revenue sources (other than Capital Project and tax levies for long-term debt) that are intended for specified purposes.

Capital project fund – used to account for debt proceeds and other financial resources to be used for acquisition or construction of major capital facilities or equipment.

Business funds – funds financed in whole or in part by fees charged to users of the goods or services (i.e. enterprise and internal service funds, etc).

Trust fund – funds used to report assets held in trust for the benefit of the municipal financial reporting entity (i.e. pension funds, investment trust funds, private purpose trust funds which benefit the municipal reporting entity, scholarship funds, etc.)

(c) Basis of presentation and accounting

Regulatory Basis of Accounting and Departure from Accounting Principles Generally Accepted in the United States of America. The KMAAG regulatory basis of accounting involves the recognition of cash, cash equivalents, marketable investments, and certain accounts payable and encumbrance obligations to arrive at a net unencumbered cash and investments balance on a regulatory basis for each fund, and the reporting of changes in unencumbered cash and investments of a fund resulting from the difference in regulatory basis revenues and regulatory basis expenditures for the fiscal year. All recognized assets and liabilities are measured and reported at cost, unless they have been permanently impaired and have no future cash value or represent no future obligation against cash. The KMAAG regulatory basis does not recognize capital assets, long-term debt, accrued receivables and payables, or any other assets, liabilities or deferred inflows or outflows, other than those mentioned above.

The municipality has approved a resolution that is in compliance with K.S.A. 75-1120a(c), waiving the requirement for application of generally accepted accounting principles and allowing the municipality to use the regulatory basis of accounting.

CITY OF NORTONVILLE, KANSAS
NOTES TO THE FINANCIAL STATEMENT
December 31, 2015

1 - Summary of significant accounting policies (continued)

(d) Budgetary information

Kansas statutes require that an annual operating budget be legally adopted for the general fund, special purpose funds (unless specifically exempted by statute), bond and interest funds, and business funds. Although directory rather than mandatory, the statutes provide for the following sequence and timetable in the adoption of the legal annual operating budget

1. Preparation of the budget for the succeeding calendar year on or before August 1st.
2. Publication in local newspaper on or before August 5th of the proposed budget and notice of public hearing on the budget.
3. Public hearing on or before August 15th, but at least ten days after publication of notice of hearing.
4. Adoption of the final budget on or before August 25th.

The statutes allow for the governing body to increase the originally adopted budget for previously unbudgeted increases in revenue other than ad valorem property taxes. To do this, a notice of public hearing to amend the budget must be published in the local newspaper. At least ten days after publication, the hearing may be held and the governing body may amend the budget at that time. There were no such budget amendments for this year.

The statutes permit transferring budgeted amounts between line items within an individual fund. However, such statutes prohibit expenditures in excess of the total amount of the adopted budget of expenditures of individual funds. Budget comparison schedules are presented for each fund showing actual receipts and expenditures compared to legally budgeted receipts and expenditures.

All legal annual operating budgets are prepared using the regulatory basis of accounting, in which revenues are recognized when cash is received, and expenditures include disbursements, accounts payable, and encumbrances, with disbursements being adjusted for prior year's accounts payable and encumbrances. Encumbrances are commitments by the municipality for future payments and are supported by a document evidencing the commitment, such as a purchase order or contract. Any unused budgeted expenditure authority lapses at year-end.

A legal operating budget is not required for capital projects funds, trust funds and the following special purpose funds – Special Police Equipment Fund, Special Park Building Fund, Special Street Fund, Special Equipment Fund, Insurance Proceeds Fund, and Nortonville Public Library.

Spending in funds which are not subject to the legal annual operating budget requirement is controlled by federal regulations, other statutes, or by the use of internal spending limits established by the governing body.

(e) Reimbursements

The City records reimbursable expenditures in the fund that makes the disbursement and records reimbursements as a receipt to the fund that receives the reimbursement. For purposes of budgetary comparisons, the expenditures are properly offset by the reimbursements under KMAAG regulatory basis accounting.

CITY OF NORTONVILLE, KANSAS
NOTES TO THE FINANCIAL STATEMENT
December 31, 2015

2 - Deposits and investments

K.S.A. 9-1401 establishes the depositories which may be used by the City. The statute requires banks eligible to hold the City's funds have a main or branch bank in the county in which the City is located, or in an adjoining county if such institution has been designated as an official depository, and the banks provide an acceptable rate of return on funds. In addition, K.S.A. 9-1402 requires the banks to pledge securities for deposits in excess of FDIC coverage. The City has no other policies that would further limit interest rate risk.

K.S.A. 12-1675 limits the City's investment of idle funds to time deposits, open accounts, and certificates of deposit with allowable financial institutions; U.S. government securities; temporary notes; no-fund warrants; repurchase agreements; and the Kansas Municipal Investment Pool. The City has no investment policy that would further limit its investment choices.

Concentration of credit risk. State statutes place no limit on the amount the City may invest in any one issuer as long as the investments are adequately secured under K.S.A. 9-1402 and 9-1405.

Custodial credit risk—deposits. Custodial credit risk is the risk that in the event of a bank failure, the City's deposits may not be returned to it. State statutes require the City's deposits in financial institutions to be entirely covered by federal depository insurance or by collateral held under joint custody receipt issued by a bank within the State of Kansas, the Federal Reserve Bank of Kansas City, or the Federal Home Loan Bank of Topeka, except during designated "peak periods" when required coverage is 50%. All deposits were legally secured at December 31, 2015.

At December 31, 2015 the City's carrying amount of deposits, including certificates of deposit and time deposits, was \$229,609 and the bank balance was \$234,464. At December 31, 2015 the carrying amount of the Library's deposits, was \$21,985 and the bank balance was \$21,384. The bank balance was held at one bank resulting in a concentration of credit risk. Of the bank balance, \$250,000 was covered by federal depository insurance, while \$4,564 was collateralized by pledged securities held under joint custody receipts issued by a third-party bank in the City's name and an additional \$1,735 was covered by other certificates.

Custodial credit risk—investments. For an investment, this is the risk that, in the event of the failure of the issuer or counterparty, the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. State statutes require investments to be adequately secured.

3 - Ad valorem tax revenues

The determination of assessed valuations and the collection of property taxes for all political subdivisions in the State of Kansas are the responsibility of the various counties.

The County Appraiser annually determines assessed valuations on January 1 and the County Clerk spreads the annual assessment on the tax rolls. Property taxes are levied on November 1 and become delinquent, with penalty, December 21. Payments of 50% are accepted through December 20, with the second 50% then being due on or before May 10 of the following year.

The tax rate assessed for the year ended December 31, 2015 to finance the general fund was \$25.558 per \$1,000 valuation and other fund operations was \$10.420 per \$1,000 valuation.

CITY OF NORTONVILLE, KANSAS
NOTES TO THE FINANCIAL STATEMENT
December 31, 2015

4 - Long-term debt

Changes in long-term liabilities for the City for the year ended December 31, 2015, were as follows:

Issue	Balance Beginning Of Year	Additions	Payments	Change	Balance End of Year	Interest Paid
KDHE	\$376,424	\$ -	\$32,925	\$(32,925)	\$343,499	\$9,832
Interest Rate	2.92%					
Date of Issue	3/1/2005					
Amount of Issue	\$671,184					
Date of Final Maturity	3/31/2025					
USDA	597,851	-	8,579	(8,579)	589,272	19,430
Interest Rate	3.25%					
Date of Issue	2/4/2011					
Amount of Issue	\$622,000					
Date of Final Maturity	2/10/2051					
Total long-term debt	<u>\$974,275</u>	<u>\$ -</u>	<u>\$41,504</u>	<u>\$(41,504)</u>	<u>\$932,771</u>	<u>\$29,262</u>

Current maturities of long-term debt and interest for the next five years and in five year increments through the date of maturity are as follows:

	2016	2017	2018	2019	2020	2021-2025	2026-2030
Principal							
KDHE	\$33,893	\$34,890	\$35,916	\$36,972	\$38,060	\$163,768	\$ -
USDA	8,857	9,145	9,442	9,749	10,066	55,456	65,073
Total principal	<u>42,750</u>	<u>44,035</u>	<u>45,358</u>	<u>46,721</u>	<u>48,126</u>	<u>219,224</u>	<u>65,073</u>
Interest							
KDHE	8,947	8,035	7,096	6,131	5,134	10,005	-
USDA	19,151	18,863	18,566	18,259	17,943	84,588	74,971
Total interest	<u>28,098</u>	<u>26,898</u>	<u>25,662</u>	<u>24,390</u>	<u>23,077</u>	<u>94,593</u>	<u>74,971</u>
Total principal & interest	<u>\$70,848</u>	<u>\$70,933</u>	<u>\$71,020</u>	<u>\$71,111</u>	<u>\$71,203</u>	<u>\$313,817</u>	<u>\$140,044</u>

CITY OF NORTONVILLE, KANSAS
NOTES TO THE FINANCIAL STATEMENT
December 31, 2015

4 - Long-term debt (continued)

	2031-2035	2036-2040	2041-2045	2046-2050	2051	Total
Principal						
KDHE	\$ -	\$ -	\$ -	\$ -	\$ -	\$343,499
USDA	76,357	89,598	105,135	123,366	27,028	589,272
Total principal	76,357	89,598	105,135	123,366	27,028	932,771
Interest						
KDHE	-	-	-	-	-	45,348
USDA	63,687	50,445	34,908	12,277	878	414,536
Total interest	63,687	50,445	34,908	12,277	878	459,884
Total principal & interest	\$140,044	\$140,043	\$140,043	\$135,643	\$27,906	\$1,392,655

5 - Interfund transfers

Operating transfers were as follows:

From	To	Statutory Authority K.S.A.	Amount
General	Special Equipment	12-1,117	\$ 2,000
General	Special Police Equipment	12-1,117	\$ 2,000

6 - Other long-term obligations from operations

Other post employment benefits. As provided by K.S.A. 12-5040, the municipality allows retirees to participate in the group health insurance plan. While each retiree pays the full amount of the applicable premium, conceptually, the municipality is subsidizing the retirees because each participant is charged a level of premium regardless of age. However, the cost of this subsidy has not been quantified in this financial statement.

Under the Consolidated Omnibus Budget Reconciliation Act (COBRA), the municipality makes health care benefits available to eligible former employees and eligible dependents. Certain requirements are outlined by the federal government for this coverage. The premium is paid in full by the insured.

Compensated absences. As described in Note 1, these financial statements are prepared in compliance with the KMAAG regulatory basis of accounting, and therefore there is no presentation for vested or accumulated compensated absences.

The municipality's compensated absence policy permits full-time employees to earn one week of vacation per year after one year of service, two weeks after five years of service, three weeks after ten years of service, and four weeks after twenty years of service. At December 31, 2015, vacation pay earned but not yet used was \$520.

CITY OF NORTONVILLE, KANSAS
NOTES TO THE FINANCIAL STATEMENT
December 31, 2015

6 - Other long-term obligations from operations (continued)

Compensated absences (continued)

Full-time employees earn four hours of sick time per month with an accumulation cap of two-hundred forty hours. If the full-time employee is sick more than thirty consecutive days, the City will pay 40% of the salary for thirteen weeks. At December 31, 2015, sick pay earned but not yet used was \$4,776.

7 - Defined benefit pension plan

Plan description. The City participates in the Kansas Public Employees Retirement System (KPERS). KPERS is part of a cost-sharing multiple-employer defined benefit pension plan as provided by K.S.A. 74-4901, et. Seq. Kansas law establishes and amends benefit provisions. KPERS issues a publicly available financial report that includes financial statements and required supplementary information. KPERS' financial statements are included in its Comprehensive Annual Financial Report which can be found on the KPERS website at www.kpers.org or by writing to KPERS (611 South Kansas Avenue, Suite 100; Topeka, KS 66603) or by calling 1-888-275-5737.

Funding policy. K.S.A. 74-419 and K.S.A. 74-49,210 establishes the KPERS member-employee contribution rates. KPERS has multiple benefit structures and contribution rates depending on whether the employee is a KPERS 1, KPERS 2 or KPERS 3 member. KPERS 1 members are active and contributing members hired before July 1, 2009. KPERS 2 members were first employed in a covered position on or after July 1, 2009, and KPERS 3 members were first employed in a covered position on or after January 1, 2015. Effective January 1, 2015, Kansas law establishes the KPERS member-employee contribution rate at 6% of covered salary for KPERS 1, KPERS 2 and KPERS 3 members. Member contributions are withheld by their employer. The employer collects and remits member-employee contributions according to the provisions of Section 414(h) of the Internal Revenue Code.

State law provides that the employer contribution rates for KPERS 1, KPERS 2 and KPERS 3 be determined based on the results of an annual actuarial valuation. Kansas law sets a limitation on annual increases in the employer contribution rates. The actuarially determined employer contribution rate (not including the 0.85% contribution rate for Death and Disability Program) and the statutory contribution rate was 9.48% for the fiscal year ended December 31, 2015. The City's employer contributions to KPERS, for the years ended December 31, 2015, 2014, and 2013 were \$9,442, \$8,537 and \$8,537, respectively.

Net pension liability. The total pension liability for KPERS is determined by an actuarial valuation as of December 31, 2014, which is rolled forward to June 30, 2015. The City's proportionate share of the net pension liability has not been declared as of June 30, 2015. The City's proportionate share of the net pension liability as of June 30, 2014 was \$63,756. Since the KMAAG regulatory basis of accounting does not recognize long-term debt, this liability is not reported in these financial statements.

The complete actuarial valuation report including all actuarial assumptions and methods, and the report on the allocation of the KPERS collective net pension liability to all participating employers are publically available on the website at www.kpers.org or can be obtained as described in the first paragraph.

CITY OF NORTONVILLE, KANSAS
NOTES TO THE FINANCIAL STATEMENT
December 31, 2015

8 - Risk management

The City continues to carry commercial insurance for risk of loss through the purchase of commercial insurance. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

9 - Water consumer deposits

Water consumers are required to make cash deposits to the City when starting new water service. The deposits are refunded to the consumers when service is terminated or if consumer's account is in good standing for 12 months. Currently, the City has \$5,696 of consumer deposits, which are included in the Water Fund cash in the financial statement.

10 - License agreement

The City purchased accounting software to maintain the general ledger, utility billing, payroll and municipal court functions. The agreement with Sequoyah Software and Consulting, Inc. calls for twenty-four monthly installments of \$352, which is now satisfied. A \$100 charge per month for unlimited customer software support and updates are the only amounts paid.

11 - Subsequent events

Management has evaluated subsequent events through February 8, 2016, the date the financial statements were available to be issued.

REGULATORY REQUIRED SUPPLEMENTARY INFORMATION

CITY OF NORTONVILLE, KANSAS

SUMMARY OF EXPENDITURES - ACTUAL AND BUDGET REGULATORY BASIS

For the Year Ended December 31, 2015

<u>FUNDS</u>	<u>Certified Budget</u>	<u>Adjustments for Qualifying Budget Credits</u>	<u>Total Budget for Comparison</u>	<u>Expenditures Chargeable to Current Year</u>	<u>Variance - (Over) Under</u>
Government type funds:					
General fund	\$ 275,358	\$ 8,793	\$ 284,151	\$ 217,542	\$ 66,609
Special purpose funds:					
Special highway	61,623	-	61,623	61,623	-
Special parks & recreation	316	-	316	-	316
Library	31,001	-	31,001	31,001	-
Business funds:					
Water	213,155	-	213,155	115,607	97,548
Sewer	157,455	-	157,455	101,878	55,577

CITY OF NORTONVILLE, KANSAS

GENERAL FUND

SCHEDULE OF RECEIPTS AND EXPENDITURES - ACTUAL AND BUDGET REGULATORY BASIS

For the Year Ended December 31, 2015

(With Comparative Actual Totals for the Prior Year Ended December 31, 2014)

		Current Year		Variance
	Prior Year	Actual	Budget	Over
	Actual			(Under)
Cash receipts:				
Taxes and shared revenue:				
Ad valorem property tax	\$ 61,105	\$ 62,021	\$ 63,291	\$ (1,270)
Delinquent tax	3,330	2,254	-	2,254
Motor vehicle tax	10,898	10,876	11,147	(271)
Recreational vehicle tax	76	100	62	38
16/20M vehicle tax	252	106	242	(136)
Current watercraft tax	-	115	-	115
Commercial truck fees	-	100	-	100
Local sales tax	27,763	27,319	25,000	2,319
Franchise tax	33,330	29,672	31,000	(1,328)
Licenses	515	335	300	35
Miscellaneous	2,348	2,999	3,000	(1)
Reimbursements - other	8,092	9,181	12,000	(2,819)
Fines	911	2,417	1,000	1,417
Trash service	35,308	34,803	38,000	(3,197)
Interest on idle funds	224	239	250	(11)
Total cash receipts	184,152	182,537	\$ 185,292	\$ (2,755)
Expenditures:				
Salaries & wages	45,412	49,684	49,500	(184)
Employee benefits	12,929	15,142	15,000	(142)
Contractual services	7,404	18,385	-	(18,385)
Gas & oil	1,706	1,062	4,000	2,938
Insurance	5,416	5,103	7,000	1,897
Legal services	5,500	6,000	6,000	-
Miscellaneous	1,337	1,851	13,000	11,149
New equipment	480	480	5,000	4,520
Office supplies	1,662	2,039	2,000	(39)
Park department	6,769	4,418	8,000	3,582
Police and animal control	24,939	24,741	41,000	16,259
Postage, printing & professional services	8,001	2,183	13,000	10,817
Public safety	250	253	500	247
Recreation	860	835	1,000	165
Repairs & maintenance	302	78	3,000	2,922
Shop materials	2,233	1,492	5,000	3,508
Streets and street lights	18,114	36,009	53,358	17,349
Trash service	35,274	34,721	38,000	3,279
Utilities	9,975	9,066	11,000	1,934
Transfer to Special Street Fund	10,000	-	-	-
Transfer to Special Equipment Fund	4,000	2,000	-	(2,000)
Transfer to Special Police Equipment Fund	1,000	2,000	-	(2,000)
Legal general fund budget	203,563	217,542	275,358	57,816
Adjustment for qualifying budget credits	-	-	8,793	8,793
Total expenditures	203,563	217,542	\$ 284,151	\$ 66,609
Cash receipts over (under) expenditures	(19,411)	(35,005)		
Unencumbered cash, beginning	105,399	85,988		
Prior year cancelled encumbrances	-	-		
Unencumbered cash, ending	\$ 85,988	\$ 50,983		

CITY OF NORTONVILLE, KANSAS

SPECIAL HIGHWAY FUND

SCHEDULE OF RECEIPTS AND EXPENDITURES - ACTUAL AND BUDGET REGULATORY BASIS

For the Year Ended December 31, 2015

(With Comparative Actual Totals for the Prior Year Ended December 31, 2014)

	Prior Year Actual	Current Year		Variance Over (Under)
		Actual	Budget	
Cash receipts:				
State of Kansas gas tax	\$ 16,098	\$ 16,207	\$ 16,070	\$ 137
Expenditures:				
Street repair and maintenance	-	61,623	\$ 61,623	\$ -
Cash receipts over (under) expenditures	16,098	(45,416)		
Unencumbered cash, beginning	29,613	45,711		
Prior year cancelled encumbrances	-	-		
Unencumbered cash, ending	\$ 45,711	\$ 295		

CITY OF NORTONVILLE, KANSAS

SPECIAL PARK & RECREATION FUND

SCHEDULE OF RECEIPTS AND EXPENDITURES - ACTUAL AND BUDGET REGULATORY BASIS

For the Year Ended December 31, 2015

(With Comparative Actual Totals for the Prior Year Ended December 31, 2014)

	Prior Year Actual	Current Year		Variance Over (Under)
		Actual	Budget	
Cash receipts:				
Liquor tax	\$ -	\$ -	\$ -	\$ -
Expenditures:				
Supplies	316	-	\$ 316	\$ 316
Cash receipts over (under) expenditures	(316)	-		
Unencumbered cash, beginning	316	-		
Prior year cancelled encumbrances	-	-		
Unencumbered cash, ending	\$ -	\$ -		

CITY OF NORTONVILLE, KANSAS

LIBRARY FUND

SCHEDULE OF RECEIPTS AND EXPENDITURES - ACTUAL AND BUDGET REGULATORY BASIS

For the Year Ended December 31, 2015

(With Comparative Actual Totals for the Prior Year Ended December 31, 2014)

	Prior Year Actual	Current Year		Variance Over (Under)
		Actual	Budget	
Cash receipts:				
Taxes and shared revenue:				
Ad valorem property tax	\$ 24,106	\$ 25,950	\$ 26,482	\$ (532)
Delinquent tax	1,095	808	-	808
Motor vehicle tax	4,169	4,312	4,398	(86)
Recreational vehicle tax	31	39	25	14
16/20M vehicle tax	83	43	96	(53)
	-	45	-	45
	-	40	-	40
Miscellaneous	-	-	-	-
Total cash receipts	29,484	31,237	\$ 31,001	\$ 236
Expenditures:				
Transfer to Nortonville Public Library	29,484	31,001	\$ 31,001	\$ -
Miscellaneous	-	-	-	-
Total expenditures	29,484	31,001	\$ 31,001	\$ -
Cash receipts over (under) expenditures	-	236		
Unencumbered cash, beginning	-	-		
Prior year cancelled encumbrances	-	-		
Unencumbered cash, ending	\$ -	\$ 236		

CITY OF NORTONVILLE, KANSAS

WATER FUND

SCHEDULE OF RECEIPTS AND EXPENDITURES - ACTUAL AND BUDGET REGULATORY BASIS

For the Year Ended December 31, 2015

(With Comparative Actual Totals for the Prior Year Ended December 31, 2014)

	Prior Year Actual	Current Year		Variance Over (Under)
		Actual	Budget	
Cash receipts:				
Sales	\$ 107,810	\$ 105,668	\$ 110,000	\$ (4,332)
Connections	1,350	385	600	(215)
Deposits	2,650	2,425	-	2,425
Late charges	9,027	8,318	8,000	318
Sales tax	1,281	1,196	1,200	(4)
Coin meter	572	453	600	(147)
Interest on deposits	-	-	-	-
Miscellaneous	1,278	544	-	544
Total cash receipts	123,968	118,989	\$ 120,400	\$ (1,411)
Expenditures:				
Salaries & wages	41,989	45,005	\$ 43,500	\$ (1,505)
Employee benefits	12,383	14,784	12,500	(2,284)
Contractual services	315	140	77,446	77,306
Deposit refunds	1,469	2,110	8,700	6,590
Education	12	285	300	15
Gas & oil	1,706	1,081	2,000	919
Insurance	5,416	5,103	6,000	897
Licenses & memberships	371	299	500	201
Miscellaneous	205	75	500	425
New equipment	480	480	2,000	1,520
Office supplies	501	243	500	257
Postage, printing & professional services	5,680	2,544	11,000	8,456
Repairs & maintenance	269	370	2,500	2,130
Sales tax	1,200	1,192	1,200	8
Shop materials	5,291	5,851	8,000	2,149
USDA principal	8,308	8,579	8,309	(270)
USDA interest	19,700	19,430	19,700	270
Utilities	6,391	6,251	7,000	749
Water protection & testing	1,947	1,785	1,500	(285)
Total expenditures	113,633	115,607	\$ 213,155	\$ 97,548
Cash receipts over (under) expenditures	10,335	3,382		
Unencumbered cash, beginning	84,088	94,423		
Prior year cancelled encumbrances	-	-		
Unencumbered cash, ending	\$ 94,423	\$ 97,805		

CITY OF NORTONVILLE, KANSAS

SEWER FUND

SCHEDULE OF RECEIPTS AND EXPENDITURES - ACTUAL AND BUDGET REGULATORY BASIS

For the Year Ended December 31, 2015

(With Comparative Actual Totals for the Prior Year Ended December 31, 2014)

	Prior Year Actual	Current Year		Variance Over (Under)
		Actual	Budget	
Cash receipts:				
Sales	\$ 90,173	\$ 90,819	\$ 94,000	\$ (3,181)
Miscellaneous	999	203	-	203
Total cash receipts	91,172	91,022	\$ 94,000	\$ (2,978)
Expenditures:				
Salaries & wages	20,410	21,870	\$ 24,000	\$ 2,130
Employee benefits	6,147	7,343	8,000	657
Contractual services	638	1,758	54,077	52,319
Education	12	219	300	81
Gas & oil	1,706	1,062	2,000	938
Insurance	2,708	2,552	4,000	1,448
KDHE interest	10,693	9,832	9,832	-
KDHE principal	31,984	32,925	32,925	-
KDHE service fee	1,001	921	921	-
Licenses & memberships	556	484	500	16
Miscellaneous	107	-	-	-
New equipment	240	240	1,000	760
Office supplies	501	243	500	257
Postage, printing & professional fees	8,780	3,544	11,200	7,656
Repairs & maintenance	133	10,236	1,000	(9,236)
Sewer testing	726	797	1,200	403
Shop supplies	6,939	6,899	5,000	(1,899)
Utilities	933	953	1,000	47
Total expenditures	94,214	101,878	\$ 157,455	\$ 55,577
Cash receipts over (under) expenditures	(3,042)	(10,856)		
Unencumbered cash, beginning	64,433	61,391		
Prior year cancelled encumbrances	-	-		
Unencumbered cash, ending	\$ 61,391	\$ 50,535		

CITY OF NORTONVILLE, KANSAS

SPECIAL STREET FUND

SCHEDULE OF RECEIPTS AND EXPENDITURES REGULATORY BASIS

For the Year Ended December 31, 2015

(With Comparative Actual Totals for the Prior Year Ended December 31, 2014)

	<u>2014</u>	<u>2015</u>
Cash receipts:		
Transfer from General Fund	<u>\$ 10,000</u>	<u>\$ -</u>
Expenditures:		
Materials	<u>-</u>	<u>10,000</u>
Cash receipts over (under) expenditures	10,000	(10,000)
Unencumbered cash, beginning	-	10,000
Prior year canceled encumbrances	<u>-</u>	<u>-</u>
Unencumbered cash, ending	<u><u>\$ 10,000</u></u>	<u><u>\$ -</u></u>

CITY OF NORTONVILLE, KANSAS

SPECIAL POLICE EQUIPMENT FUND

SCHEDULE OF RECEIPTS AND EXPENDITURES REGULATORY BASIS

For the Year Ended December 31, 2015
(With Comparative Actual Totals for the Prior Year Ended December 31, 2014)

	<u>2014</u>	<u>2015</u>
Cash receipts:		
Transfer from General Fund	<u>\$ 1,000</u>	<u>\$ 2,000</u>
Expenditures:		
Materials	<u>-</u>	<u>607</u>
Cash receipts over (under) expenditures	1,000	1,393
Unencumbered cash, beginning	7,049	8,049
Prior year canceled encumbrances	<u>-</u>	<u>-</u>
Unencumbered cash, ending	<u><u>\$ 8,049</u></u>	<u><u>\$ 9,442</u></u>

CITY OF NORTONVILLE, KANSAS

SPECIAL EQUIPMENT FUND

SCHEDULE OF RECEIPTS AND EXPENDITURES REGULATORY BASIS

For the Year Ended December 31, 2015
(With Comparative Actual Totals for the Prior Year Ended December 31, 2014)

	<u>2014</u>	<u>2015</u>
Cash receipts:		
Transfer from General Fund	<u>\$ 4,000</u>	<u>\$ 2,000</u>
Expenditures:		
Materials	<u>5,000</u>	<u>-</u>
Cash receipts over (under) expenditures	(1,000)	2,000
Unencumbered cash, beginning	5,100	4,100
Prior year canceled encumbrances	<u>-</u>	<u>-</u>
Unencumbered cash, ending	<u><u>\$ 4,100</u></u>	<u><u>\$ 6,100</u></u>

CITY OF NORTONVILLE, KANSAS

INSURANCE PROCEEDS FUND

SCHEDULE OF RECEIPTS AND EXPENDITURES REGULATORY BASIS

For the Year Ended December 31, 2015
(With Comparative Actual Totals for the Prior Year Ended December 31, 2014)

	<u>2014</u>	<u>2015</u>
Cash receipts:		
Insurance proceeds	<u>\$ -</u>	<u>\$ 10,500</u>
Expenditures:		
Miscellaneous	<u>-</u>	<u>10,500</u>
Cash receipts over (under) expenditures	-	-
Unencumbered cash, beginning	-	-
Prior year canceled encumbrances	<u>-</u>	<u>-</u>
Unencumbered cash, ending	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>

CITY OF NORTONVILLE, KANSAS

SPECIAL PARK BUILDING FUND

SCHEDULE OF RECEIPTS AND EXPENDITURES REGULATORY BASIS

For the Year Ended December 31, 2015
(With Comparative Actual Totals for the Prior Year Ended December 31, 2014)

	<u>2014</u>	<u>2015</u>
Cash receipts:		
Insurance proceeds	<u>\$ -</u>	<u>\$ 720</u>
Expenditures:		
Miscellaneous	<u>-</u>	<u>-</u>
Cash receipts over (under) expenditures	-	720
Unencumbered cash, beginning	-	-
Prior year canceled encumbrances	<u>-</u>	<u>-</u>
Unencumbered cash, ending	<u><u>\$ -</u></u>	<u><u>\$ 720</u></u>

CITY OF NORTONVILLE, KANSAS

NORTONVILLE PUBLIC LIBRARY

SCHEDULE OF RECEIPTS AND EXPENDITURES REGULATORY BASIS

For the Year Ended December 31, 2015

(With Comparative Actual Totals for the Prior Year Ended December 31, 2014)

	2014	2015
Cash receipts:		
Transfer from Library Fund	\$ 29,483	\$ 31,001
Norton Township	11,660	11,632
Northeast Kansas Library System	15,240	15,685
State of Kansas	329	523
Gifts and donations	5,823	8,085
Interest on idle funds	11	19
Total cash receipts	62,546	66,945
Expenditures:		
Wages	34,090	38,305
Benefits	5,667	5,030
Continuing education	200	285
Mileage	800	800
Books	5,659	6,596
Videos	3,719	3,315
Periodicals	440	426
Technology	1,756	759
Supplies	1,192	1,523
Postage	283	430
Insurance	410	557
Internet access	1,365	1,260
Children's programming	1,153	1,327
Automation charges	675	675
Miscellaneous	1,236	684
Total expenditures	58,645	61,972
Cash receipts over (under) expenditures	3,901	4,973
Unencumbered cash, beginning	13,111	17,012
Prior year cancelled encumbrances	-	-
Unencumbered cash, ending	\$ 17,012	\$ 21,985

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February 8, 2016

To the Mayor and Council of
The City of Nortonville, Kansas

I have audited the regulatory basis financial statement of City of Nortonville, Kansas and Nortonville Public Library (Municipal Financial Reporting Entity) for the year ended December 31, 2015. Professional standards require that I provide you with information about my responsibilities under generally accepted auditing standards, as well as certain information related to the planned scope and timing of my audit. I have communicated such information in my letter to you dated October 27, 2015. Professional standards also require that I communicate to you the following information related to my audit.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the Municipal Financial Reporting Entity are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during 2015. I noted no transactions entered into by the Municipal Financial Reporting Entity during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

The financial statement disclosures are neutral, consistent, and clear.

Difficulties Encountered in Performing the Audit

I encountered no significant difficulties in dealing with management in performing and completing my audit.

Corrected and Uncorrected Misstatements

Professional standards require me to accumulate all known and likely misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to each opinion unit's financial statements taken as a whole.

Disagreements with Management

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to my satisfaction, that could be significant to the

financial statements or the auditor's report. I am pleased to report that no such disagreements arose during the course of my audit.

Management Representations

I have requested certain representations from management that are included in the management representation letter dated February 8, 2016.

Management Consultations with Other Independent Accountants'

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the Municipal Financial Reporting Entity's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, my professional standards require the consulting accountant to check with me to determine that the consultant has all the relevant facts. To my knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

I generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Municipal Financial Reporting Entity's auditor. However, these discussions occurred in the normal course of our professional relationship and my responses were not a condition to my retention.

Other Matters

I have been engaged to report on supplementary information, which accompany the financial statements but are not RSI. With respect to this supplementary information, I made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to my audit of the financial statement. I compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statement or to the financial statement itself.

Restriction on Use

This information is intended solely for the use of the Mayor, City Council and other employees of the Municipal Financial Reporting Entity and is not intended to be and should not be used by anyone other than these specified parties.

Patsy A. Porter, CPA, PA

PATSY A. PORTER, CPA, PA

Patsy A. Porter, CPA, PA

Certified Public Accountant

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To the Mayor and City Council of
The City of Nortonville, Kansas

In planning and performing my audit of the basic regulatory financial statement of The City of Nortonville, Kansas (the City) as of and for the year ended December 31, 2015, in accordance with auditing standards generally accepted in the United States of America and the *Kansas Municipal Audit and Accounting Guide*, I considered the City's internal control over financial reporting (internal control) as a basis for designing auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on the financial statement, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, I do not express an opinion on the effectiveness of the City's internal control.

However, during my audit I noted some matters that are opportunities for strengthening internal control and operating efficiency. This letter does not affect my report dated February 8, 2016.

NORTONVILLE PUBLIC LIBRARY

Use the QuickBooks Reconcile Function to Reconcile the Bank Statement

In order to make financial reports generated by the accounting system as meaningful as possible, the Library should reconcile the checking, savings and capital improvement accounts to bank statements on a monthly basis (or twice-yearly for savings accounts) by using the reconcile function in QuickBooks.

After reconciling, print the reconciliation detail and summary and file with the bank statement. The board treasurer should review the completed bank reconciliation each month, noting any unusual reconciling items, and initial to indicate his or her review.

Document Review and Approval of Disbursements, Time Sheets, Bank Statements, etc.

All disbursements, time sheets, bank statements, etc. should be reviewed and approved by an appropriate member of the board. That review should be documented with the initials and date of the board member of the original paperwork.

Distribute Payroll Checks on Pay Date

I noted during my audit of the Library's cash that a January 1, 2016 payroll check cleared the December 2015 bank statement. Library staff should receive their payroll checks no earlier than the date of the check. If it is necessary to distribute these checks prior to the issuance date, great care should be taken to ensure that the checks are not cashed until that date. The bank reconciliation in QuickBooks would be out of balance when this happens.

This communication is intended solely for the information and use of the Mayor, City Council, and others within the government, and is not intended to be and should not be used by anyone other than these specified parties.

Patsy A. Porter, CPA, PA

Patsy A. Porter, CPA PA
Atchison, Kansas

February 8, 2016